

1 PRESTON DuFAUCHARD
California Corporations Commissioner
2 ALAN S. WEINGER
Deputy Commissioner
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4 DEPARTMENT OF CORPORATIONS
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9 BEFORE THE DEPARTMENT OF CORPORATIONS
10 OF THE STATE OF CALIFORNIA

11 In the Matter of THE CALIFORNIA)
CORPORATIONS COMMISSIONER,)

File No.: 963-2596

12 Complainant,)

**NOTICE AND SUMMARY OF FINDINGS
PURSUANT TO FINANCIAL CODE
SECTION 17621**

13 v.)
14)

15 DIVERSITY ESCROW, INC.,)

16 Respondent.)
17)
18)

19 TO: DIVERSITY ESCROW, INC.
17037 Chatsworth Street, Suite 101
Granada Hills, California 91345

21 CITY NATIONAL BANK
22 5601 East Slauson Avenue
23 City of Commerce, California 90040

24 PLEASE TAKE NOTICE that the California Corporations Commissioner finds that:

25 1. The California Department of Corporations (“Department”) commenced a special
26 examination of Diversity Escrow, Inc. (“Diversity”), which resulted in the following findings:

27 a. The Department’s examiner found that Diversity had issued a post-dated check in the
28 amount of \$300,000.00, without written authorization from the parties to the escrow and without

1 having received the seller's funds, which resulted in a trust account shortage in violation of section
2 17414, subdivision (a)(1) of the Financial Code and California Code of Regulations, title 10, sections
3 1738, 1738.1, and 1738.2;

4 b. Diversity failed to maintain its books and records in accordance with the California
5 Escrow Law (Fin. Code, §§ 17000 et seq.) ("Escrow Law") as follows:

6 i. Diversity failed to prepare its daily banking and trust reconciliations in violation of
7 Financial Code section 17404 and California Code of Regulations, title 10, section 1732.2.

8 Diversity's last prepared daily banking report was on or about February 2, 2011 and the last prepared
9 trust banking reconciliation was in or about July 2010;

10 c. Pursuant to Financial Code section 17210, all licensees under the Escrow Law are
11 required to maintain, at all times, liquid assets in the amount of at least \$25,000.00 and a tangible net
12 worth of at least \$50,000.00. The special examination disclosed that as of January 31, 2011,
13 Diversity had a liquid asset deficiency in the amount of at least \$12,008.77 and a tangible net worth
14 deficiency of at least \$19,354.71 in violation of Financial Code section 17210; and

15 d. Diversity abandoned its business.

16 2. The Commissioner has demanded that Diversity cure the defects described above;
17 however, Diversity remains in violation of the above-cited provisions of the Escrow Law.

18 3. California Financial Code section 17621 provides in pertinent part:

19 Whenever it appears to the Commissioner that any escrow agent subject to this
20 division:

21 (a) Is in an insolvent condition;

22 (b) Is conducting escrow business in an unsafe and unauthorized manner;

23 (c) Has violated its charter or any law of the State of California . . .

24 (h) Has permitted its tangible net worth to be lower than the minimum
25 required by law;

26 . . .

26 the commissioner shall dispatch a written notice and summary of findings, as
27 referred to in Section 17415, to the principal officer of the escrow agent
28 involved or to its manager of record; and such escrow agent shall be afforded a
reasonable opportunity to comply or otherwise effect such remedies as the

1 commissioner may deem acceptable. However, should the escrow agent so
2 notified fail to comply within five days of receipt of the notice, or as soon as it
3 appears to the commissioner that no compliance is possible, or in the event
4 prompt delivery of the prescribed written notice is impossible, the
5 commissioner may forthwith take possession of the property and business of
6 such escrow agent and retain possession until such escrow agent resumes
business or its affairs be finally liquidated as provided in this chapter. The
escrow agent, with the consent of the commissioner, may resume business
upon such conditions as the commissioner may prescribe.

7 4. Based upon the foregoing, the Commissioner finds that Diversity Escrow, Inc. has
8 violated Financial Code sections 17210, 17404, 17414 and California Code of Regulations, title 10,
9 sections 1732.2, 1738, 1738.1, and 1738.2.

10 5. Pursuant to Financial Code sections 17621 and 17630, it is also necessary that a
11 conservator be appointed as specified in the accompanying Order Appointing Peter A. Davidson as
12 Conservator Pursuant to Financial Code Section 17630.

13
14 DATED: July 19, 2011
Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

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16
17 By _____
18 ALAN S. WEINGER
19 Deputy Commissioner
20 Enforcement Division
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